

**Iowa Department of Natural Resources  
Environmental Protection Commission**

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**ITEM**

**5**

**INFORMATION**

**TOPIC**

**Air Quality - Title V Fee Budget Review**

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The Commission will be asked to consider the SFY 2010 Title V budget in anticipation of setting the annual Title V fee at the May Commission meeting. The Air Quality Bureau (Bureau) budget is summarized in the attachment for information. Expenditures paid from the Title V fee fund are included in the budget. A summary of anticipated revenues is outlined at the end of the budget. A description of all expenditure areas and funding sources is listed below.

The Title V budget cycle begins each December as the Bureau estimates the upcoming budgetary needs. Staff meet with a representative group of the core Title V fee payers each January to discuss the budget. This year the Bureau met with a core group of Title V fee payers on January 27, 2009. By March 31, sources required to obtain Title V Operating Permits submit annual emissions statements for the previous calendar year. The Bureau totals these emissions and provides that information to the Commission no later than the May meeting. The Commission will then be asked to set the fee based on the program budget.

A Title V operating permit is required for those facilities with potential emissions that exceed the major stationary source thresholds. A major stationary source is a facility that has the potential to emit 100 tons per year (tpy) or more of any air pollutant; or the potential to emit 10 tpy or more of any individual hazardous air pollutant; or the potential to emit 25 tpy or more of any combination of hazardous air pollutants. Currently Iowa has approximately 275 major stationary sources, also referred to as Title V facilities. Examples of Title V facilities include electric utilities, grain processors, cement plants, and manufacturing operations.

The Title V fee is based on the first 4,000 tons of each regulated air pollutant emitted each year from each major stationary source in the state. Regulated pollutants include: particulate matter less than 10 micrometers in diameter (PM<sub>10</sub>) and particulate matter less than 2.5 micrometers in diameter (PM<sub>2.5</sub>), sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), volatile organic compounds (VOC), lead (Pb), and hazardous air pollutants (HAP). The fee is used to support the development and administration of activities associated with major sources subject to the Title V Operating Permit Program.

**Air Quality Funding Sources and Cost Centers** - The Air Quality Bureau budget is divided into two primary areas: Air Quality Program and Air Title V Program. Expenditures are divided between multiple expenditure (cost center) accounts and a variety of funding sources as listed in Table 1. The attached spreadsheet consolidates the cost centers into the two primary areas to reflect the total program.

Clean Air Act (CAA) section 105 money is awarded to the department through a Performance Partnership Grant (PPG) with the EPA. The PPG is the financial component of the Performance Partnership Agreement (PPA). The department negotiates the PPG on an annual cycle while the PPA is negotiated on a two-year cycle. The PPA contains the mutually agreed upon goals that the EPA and DNR will work together to achieve during the two year agreement period. For air quality, the tasks that must be accomplished to achieve the agreed upon goals are contained in the 105 work plan, which is an attachment to the PPA. As indicated in the chart below, CAA section 105 funds require state matching dollars whereas CAA section 103 funds do not. No Title V money is included in the PPG.

Table1. Summary of Cost Centers and Funding Sources

Program Area	Expenditures (Cost Center)	Funding Source*
<b>Air Title V includes</b>		
Legal Services	1430	TV Fees
Title V Information & Education	1556	TV Fees
IT Support	3520	TV Fees
Title V Operating Permit Program	7230	TV Fees
Title V Field Program	7421	TV Fees
<b>Air Quality Program includes:</b>		
Diesel Emission Reduction Grant	7210	Federal Grant
Air Quality central office base program	7220	CAA 105 & GF
PM 2.5 Monitoring network	7240	CAA 103
ICCAC Support	7250	GF / Env. First
Air Quality field office base program	7419	CAA 105 & GF
Ambient Air Monitoring	17HA	GF / Env. First
Infrastructure Request	New	Proposed GF

\* TV Fees – Title V fees

CAA 105 – Clean Air Act section 105 grant with a state match required

CAA 103 – Clean Air Act section 103 grant with no state match required

Env. First – Funding under the state Environment First Fund

GF – Legislatively appropriated General Funds or other state funds

Proposed GF – Proposed legislative request for ambient air monitoring and comprehensive airshed planning

**Carryover Funds** - The Bureau has been working each year since the program's inception to develop a budget that more accurately reflects the amount of funding required to implement the Title V program. In past years, the Air Quality Bureau budget was planned with approximately a one percent reserve, however, the carry over funds have accumulated each year to an amount greater than 1%. The Bureau implemented measures in SFY 2009 to reduce the amount carried over into SFY 2010. The measures include adjustments to the projected carryover funds that account for normal staff turnover and the resulting vacancies that occur during a typical state fiscal year. Due to lower than anticipated vacancy rates, the Bureau did not generate the typical

amount of carryover funds. The Bureau projects the amount to be carried over at the end of SFY 2009 at approximately \$100,000, which is dramatically lower than the over \$1,000,000 seen in prior years. The large carry forward amount has buffered the increase in the Title V fee over the past several years. The reduced amount will result in a larger increase in the fee in comparison with prior years.

**Ambient Air Monitoring Changes** – The ambient air monitoring program continues to prepare for the recently revised Lead NAAQS. The Bureau must establish a new Lead monitoring network to meet the revised requirements. Additional equipment will be needed for laboratory analysis.

The program also continues to prepare for new requirements associated with the revised ozone and PM 2.5 NAAQS. There continues to be a potential for significant change in the federal Clean Air Act (CAA) Section 103 grant that supports PM 2.5 monitoring. EPA indicated in the current continuing resolution (through March 6, 2009) that this would be the final year of the CAA 103 grant. The PM 2.5 laboratory analysis, estimated at over \$245,000 annually, has been previously funded by this grant. A combination of CAA 105 money with general fund match, infrastructure money, and Title V fees will be used to meet the ambient air monitoring needs and to offset the possible loss of laboratory analysis funding if the CAA 103 grant ends.

**Title V Budget Changes** – The Bureau is projecting that the statewide calendar year emissions for 2008 will be lower than last year's emissions due to the natural disasters in the summer of 2008. The current estimate is 215,700 tons, which is 8,300 tons less than the prior year. Actual emissions data will be used in calculating the final Title V fee for the May Commission meeting.

The Title V fee payers were supportive of the Bureau to restoring 1.0 FTE to provide IT user support to staff. Expenses, such as rent and travel costs, have been redistributed proportional to the increased major source work effort in SFY 2008, and the increased effort seen to date in SFY 2009.

Details on where changes to the budget are being proposed are listed in the attached spreadsheet in the "Notes" column.

1. Personnel and indirect costs: As the personnel costs have not been finalized, the Bureau is using an estimate of 5 percent increase for all FTE positions that are not capped. The indirect costs are estimated to increase from 13.76 percent to 14.03 percent in SFY 2010.
2. Professional Services: The agreements are still under negotiation. The current estimates, based on negotiations to date, are included in the attached budget.
  - The Linn and Polk County Local Air Quality Programs have estimated increased personnel costs and program costs.
  - The UHL contract amount reflects an estimated increase due to increased personnel costs and to accommodate changes in the ambient monitoring program requirements.
  - The UNI small business assistance agreement amount reflects an estimated increase to cover increases in personnel costs.

- An expense for laboratory analysis related to PM 2.5 has also been added. This expense was previously provided by EPA.

Total Title V Fund expenditures are proposed to be increased from the current SFY 2009 budget levels by 11.3% or \$1,168,000 in the SFY 2010 budget. The carry forward amount has been reduced 90.2%. The fee is proposed to increase by 33% or \$13.00, from \$39.00 per ton to \$52.00 per ton.

Wendy Rains, Environmental Specialist Senior  
Program Development Section, Air Quality Bureau  
Environment Services Division

Memo date: February 23, 2009

Air Quality Bureau  
Title V Budget for SFY 2010

Cost Center & Expenditure Category	SFY 2008 Actuals	SFY 2009 Budget	Draft SFY 2010 Budget	Difference	Notes
<b>Title V cost Centers (1430, 1556, 3520, 7230, &amp; 7421)</b>	<b>0.00</b>	<b>65.25</b>	<b>66.25</b>	<b>1.00</b>	<b>One new FTE proposed</b>
Personnel	4,774,952	5,405,966	5,678,296	272,330	Estimated 5% personnel increase
Travel in state	19,117	20,800	22,800	2,000	—Realignment of expenses portional to the
State Vehicle	15,376	15,700	15,700	0	increased effort on major sources.
Depreciation	16,800	20,900	20,900	0	
Travel out of state	32,797	31,000	33,000	2,000	
Office supplies	28,205	23,500	24,900	1,400	
Facility maintenance supplies	0	1,500	1,440	-60	
Equipment maintenance	9,414	10,000	12,800	2,800	
Other supplies	3,181	4,000	4,250	250	
Printing and binding	3,270	1,550	1,550	0	
Uniforms	1,603	2,000	2,000	0	
Postage	10,619	11,000	12,000	1,000	
Communications	61,943	72,000	76,000	4,000	
Rental	155,287	158,400	168,320	9,920	
Utilities	19,150	32,000	33,800	1,800	
<b>Professional Services (Total)</b>	<b>2,531,901</b>	<b>3,268,868</b>	<b>3,864,236</b>	<b>595,368</b>	<b>Agreements under negotiation</b>
Computer Consultant Services	[0]	[0]	[0]	[0]	
Linn County local program agreement	[520,881]	[584,432]	[695,132]	[110,700]	Estimated increase
Polk County local program agreement	[554,442]	[540,261]	[648,143]	[107,882]	Estimated increase
Environmental Liaison	[50,000]	[50,700]	[51,435]	[735]	Estimated increase
UNI Small Business Assistance agreement	[498,514]	[550,000]	[573,000]	[23,000]	Estimated increase
UHL Agreement	[878,064]	[1,273,957]	[1,615,009]	[341,052]	Increased effort on PM 2.5 NAAQS
Attorney General's Office	[30,000]	[30,000]	[30,000]	[0]	
Other	[0]	[-3,482]	[0]	[3,482]	
Lab Analysis (former EPA lab)	[0]	[237,000]	[245,517]	[8,517]	
Professional Services (Field Office)	0	6,000	6,000	[0]	
<b>Outside services (Total)</b>	<b>42,628</b>	<b>78,500</b>	<b>116,383</b>	<b>37,883</b>	
Misc.	[3,105]	[2,500]	[2,500]	[0]	
Computer maintenance	[0]	[0]	[0]	[0]	
Filter replacement and Misc.	[3,989]	[8,000]	[51,483]	[43,483]	PM 2.5 and Lead NAAQS
Temporary Services	[0]	[0]	[0]	[0]	
Interagency Delivery	[2,728]	[3,000]	[3,200]	[200]	
Merit Resources Positions	[0]	[0]	[0]	[0]	
Image Scanning	[32,807]	[65,000]	[59,200]	[-5,800]	
Advertisement in publications	3,721	3,000	3,000	0	
Reimbursement to other agencies	17,779	12,750	13,150	400	
ITS Reimbursement	0	0	0	0	
<b>Equipment (Total)</b>	<b>302,728</b>	<b>335,000</b>	<b>515,800</b>	<b>175,600</b>	
Air monitoring equipment	[243,644]	[221,000]	[416,600]	[195,600]	Lead NAAQS
Computer hardware purchase	[50,977]	[114,000]	[94,000]	[-20,000]	Reduced based on actual expenses
Office equipment & furniture	[8,107]	[0]	[5,200]	[0]	
Equipment Noninv.	34,927	58,500	63,500	5,000	
Other expenses	11,817	12,200	12,200	0	
Indirect charges	621,133	725,055	776,531	51,476	
<b>Total</b>	<b>8,718,348</b>	<b>10,304,189</b>	<b>11,472,556</b>	<b>1,163,167</b>	
<b>Title V</b>					
<b>Total Revenue</b>	<b>9,529,789</b>	<b>10,211,672</b>	<b>11,493,869</b>	<b>1,282,198</b>	
Balance forward	[1,140,235]	[1,272,941]	[79,315]		-90.2%
Title V fees	[8,064,491]	[8,724,179]	[11,216,400]	[2,492,221]	
annual tons (est.)	229,105	224,067	215,700	-8,367	
\$/ton	35.20	39.00	52.00	13.00	33.3%
Fund interest	[325,064]	[230,000]	[200,000]	[-30,000]	
Under and Over Payments	[0]	[-15,449]	[-1,846]	[13,603]	
<b>Total Expenditures</b>	<b>8,716,848</b>	<b>10,304,189</b>	<b>11,472,556</b>	<b>1,168,367</b>	<b>11.3%</b>
Legal Services (1430) Total	132,701	136,670	143,504	6,834	
Air Title V - I&E (1556) Total	88,231	87,790	92,375	4,585	
Air Title V - IT (3520)	307,070	382,081	492,821	110,740	
Air Title V Program (7230) Total	7,567,670	8,974,745	9,987,619	1,012,874	
Air Title V Field Program (7421) Total	621,176	722,902	756,238	33,336	
<b>Revenues - Expenditures</b>	<b>812,941</b>	<b>-92,517</b>	<b>21,313</b>	<b>113,830</b>	
Information listed in blue text are subtotals. The bold line above each is the totaled amount.					

Air Quality Bureau  
Non-Title V Budget  
SFY 2010

Cost Center & Expenditure Category	SFY 2008 Actuals	SFY 2009 Budget	Draft SFY 2010 Budget	Difference 2009-2008	Notes
<b>PPG/Grant cost centers (7210, 7220, 7240, 7250, 7419, 17HA, 09H2)</b>		<b>16.75</b>	<b>21.75</b>	<b>5.00</b>	<b>Six FTEs proposed in draft legislation</b>
					One vacant FTE proposed not to be filled.
Personnel	1,294,464	1,336,489	1,827,508	491,019	Estimated 5% increases
Travel in state	14,053	10,400	5,900	-4,500	—Realignment of expenses portional to the increased effort on major sources.
State vehicle operation	5,654	4,500	4,500	0	
Vehicle depreciation	5,760	5,000	5,000	0	
Travel out of state	12,040	8,800	6,800	-2,000	
Office supplies	3,947	7,700	6,300	-1,400	
Facility maintenance	147	300	360	60	
Equipment maintenance	3,914	6,000	3,200	-2,800	
Other supplies	7,129	300	50	-250	
Printing and binding	1,252	1,550	1,550	0	
Uniforms	19	1,000	1,000	0	
Postage	3,568	4,000	3,000	-1,000	
Communications	13,280	17,000	18,000	1,000	
Rental	52,068	52,059	53,080	1,021	
Monitoring Utilities	8,125	10,000	10,000	0	
<b>Professional Services (Total)</b>	<b>1,355,861</b>	<b>1,106,800</b>	<b>1,266,963</b>	<b>160,163</b>	
Blue Skyways/CTRE	105,860	6,800	393,760	386,960	One-time grant
Linn County Local Program Agreement	[144,152]	[144,152]	[126,652]	-17,500	
Polk County Local Program Agreement	[140,370]	[191,038]	[171,038]	-20,000	
UHL Agreement	[965,479]	[760,773]	[571,613]	-189,160	
Other	[0]	[4,037]	[3,900]	-137	
<b>Outside services (Total)</b>	<b>56,824</b>	<b>55,000</b>	<b>50,600</b>	<b>-4,400</b>	
Filter replacement and Misc.	[43,676]	[45,000]	[35,000]	-10,000	
Interagency Delivery	[1,828]	[1,000]	[800]	-200	
Temporary Services	[0]	[0]	[0]	0	
Image Scanning	[11,320]	[9,000]	[14,800]	5,800	
Advertisement in publications	2,136	500	500	0	
Reimbursement to other agencies	3,101	3,600	3,200	-400	
ITS Reimbursement	0	0	0	0	
<b>Equipment (Total)</b>	<b>429,894</b>	<b>570,400</b>	<b>736,700</b>	<b>166,300</b>	
Computer hardware purchase	[16,488]	[31,000]	[18,000]	-13,000	
Air monitoring equipment	[413,406]	[539,400]	[717,400]	178,000	Equipment in Legis. Proposal
Office equipment & furniture	[0]	[0]	[1,300]	1,300	
Equipment Noninv.	5,416	20,100	105,965	85,865	Equipment in Legis. Proposal
Indirect charges	173,199	183,901	256,399	72,499	
<b>Total</b>	<b>3,451,850</b>	<b>3,405,399</b>	<b>4,366,575</b>	<b>961,177</b>	
				0	
<b>PPG (Federal Grant &amp; Match)</b>				0	
<b>Total Revenue</b>	<b>3,505,870</b>	<b>3,370,372</b>	<b>4,368,332</b>	<b>997,960</b>	
General Fund	1,288,000	1,288,000	1,288,000	0	
Infrastructure Request	560,000	375,000	430,000	55,000	
Economic Stimulus Funds/Ambient Monitoring equipment	0	195,000	195,000	0	
Legislative Request	0	0	1,000,000	1,000,000	Legis. Proposal for Comprehensive Airshed Management
Federal grants	1,101,572	1,061,572	1,061,572	0	
Last Quarter of Previous SFY	[530,053]	[279,145]	[279,145]	0	
First Three Quarters of SFY	[571,519]	[782,427]	[782,427]	0	
Transition to PPG: former 103 funds	[0]	[0]	[0]	0	
103 Funds	447,160	444,000	0	-444,000	
Pass through (CenSARA/DERA)	109,138	6,800	393,760	386,960	One-time grant
Performance Partnership Grant (PPG)	0	0	0	0	
<b>Total Expenditures</b>	<b>3,451,850</b>	<b>3,366,399</b>	<b>4,366,575</b>	<b>1,000,177</b>	
PPG IT (3510) Total	28,556	0	0	0	
BlueSkyWays Grant/DERA Grant (7210)	109,138	6,800	393,760	386,960	
Air Quality Program (7220) Total	2,040,902	2,047,619	2,089,802	42,184	
PM 2.5 Monitoring (7240) Total	435,078	444,000	0	-444,000	
Ambient Monitoring - Env First (7250)	325,000	375,000	375,000	0	
Air Quality Field Program (7419) Total	238,176	297,981	313,013	15,033	
Legislative Request	0	0	1,000,000	1,000,000	
Livestock Air Monitoring/Economic Stimulus Funds	275,001	195,000	195,000	0	
<b>Revenues - Expenditures</b>	<b>54,020</b>	<b>3,973</b>	<b>1,757</b>	<b>-2,217</b>	
Information listed in blue text are subtotals. The bold line above each is the totaled amount.					